

Annual Report

2020

CHAIRMAN'S MESSAGE



It is my pleasure to present the Annual Report of the Consumer Affairs Authority (CAA) for 2020 elaborating the performance of the Authority. CAA has made a progress in the year 2020 through unprecedented circumstance due to the Covid-19 pandemic.

Our prime statutory objective is protecting the consumer in a competitive business environment. Towards this end we wish to take up very ambitious short-term measures with the full participation of our team.

We have conducted 147 general public awareness programmes and 88 Trader awareness programmes respectively to educate the general public and traders, as we believe that knowledgeable Consumer and Trader Communities are an asset. With the intention of strengthening the younger generation on the rights of Consumer, 85 School awareness programs were conducted during the year.

14,906 Court cases were filed against the errant traders out of 15,923 successful raids and the imposition of fine is in excess of Rs. 65 Million.


With the intention of making available quality goods in the country, CAA is working liaise with Sri Lanka Standard Institute, Sri Lanka Customs and other relevant institutions. Further CAA was represented at National Level Committees and contributed immensely at policy level and in formulating legislations in protecting the consumer.

Although there was an island-wide lock down and intermittent isolation measures took place, we received 1978 consumer complaints and remedial actions were taken for the most of the complaints by the Authority.

The trend of using the online purchase was increased significantly in the year 2020 and in parallel, number of complaints received against the online trading has been increased. Therefore, we have initiated in making the guideline for online traders and also in the process of amending the Consumer Affairs Authority Act for more protection of Consumers and Traders.

Along with our entire Board, I have always valued how CAA employees stand to meet every challenge. We thank them for taking that dedication to new heights this past year as they adapted to the challenges of a global pandemic and delivered uninterrupted service for consumers when they needed us the most.

I also express my profound thank to Hon. Minister of Trade, Hon. State Minister of Co-operative Services, Marketing Development and Consumer Protection and the secretaries of above two ministries for their valuable advice, motivation and guidance.


Major General (Retd.) Shantha Dissanayake
Chairman

Consumer Affairs Authority

Vision

A Well Protected Consumer within a Disciplined Business Culture

Mission

To Safeguard Consumer Rights & Interests through Consumer Empowerment, Regulation of Trade and Promotion of Healthy Competition

Corporate Goals

- 1) A delighted consumer through regulation of trade
- 2) Provide redress to Consumers affected by unfair trade practices
- 3) Consumer empowerment through education and awareness
- 4) Protection of traders and manufacturers against anti-competitive trade practices and promotion of healthy competition
- 5) Organizational development through capacity enhancement

Corporate Values

- Trust
Maintaining consistency of performance and ensuring dependability
- Honesty and Integrity
Being sincere and be fair and righteousness in all activities
- Accountability
Maintaining transparency and be accountable and responsible in whatever task that is performed
- Team Spirit
All employees working together to achieve common goals improving mutual understanding, respecting and trusting each other with proper communication and flexibility
- Recognition
Admire and appreciate outstanding performance of employees
- Commitment
Dedication towards accomplishment of given tasks
- Responsiveness
Willingness and readiness to provide services
- Creativity and Innovativeness
Generating new ideas for continuous improvement in all aspects

1st & 2nd Floors
CWE Secretariat Building
No. 27, Vauxhall Street
Colombo 02
10.12.2021

Hon. State Minister of Cooperative Services, Marketing Development & Consumer Protection

Hon. State Minister,

In terms of the Section 14(2) of the Finance Act No 38 of 1971, I herewith submit the Annual Report for the Year 2020 together with audited Balance Sheet, Income and Expenditure Accounts and the Auditor General's Report.

I remain,

Yours faithfully,



Major General Shantha Dissanayake (Rtd.)
Chairman

CONSUMER AFFAIRS AUTHORITY

Annual Report -2020

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1.1 Introduction

The Consumer Affairs Authority has been established by the Consumer Affairs Authority Act No 9 of 2003 by repealing the Consumer Protection Act No 01 of 1979 and the Fair Trading Commission Act No 1 of 1987 and the Control of Prices Act of 1950.

As per the preamble of the Act, the overall objective of the Consumer Affairs Authority is to provide for the better protection of consumers through the regulation of trade and the prices of goods and services and to protect traders and manufacturers against unfair trade practices and restrictive trade practices. Moreover, it is expected to promote competitive pricing wherever possible and ensure healthy competition among traders and manufacturers of goods and services.

1.2 Constitution of the Authority

In terms of the Provisions of the Act, the Authority consists of a Chairman and not less than ten other members appointed by the Minister from among persons possessing qualifications and experience as specified in the Act.

Members of the Authority

The names of the Members who held office as at the end of 2020 are as follows:

1.	Major General D M S Dissanayake (Rtd)	Chairman
2.	Mr. Saliya Sarath Kumara	Full Time Member
3.	Mr. W W A Basnayake	Full Time Member
4.	Mr. Thushan Gunawardhena	Full Time Member
5.	Mr. P M K Hettiarachchi	Treasury Representative
6.	Dr. J Chandika Sanath	Member
7.	Mr. Lankapriya Abewardhana	Member
8.	Mr. Sisiranath Adhikari	Member
9.	Mr. M S V Lakshman Samaraweera	Member
10.	Mr. M W A C Wijesooriya	Member
11.	Mr. Viraj Harshana Perera	Member
12.	Mr. S A Mahinda Lal Gunathilake	Member

1.3 Staff of the Authority

Major General D M Shantha Dissanayake (Rtd) continued to serve as the Chairman from 20.12.2019 and Director General, Mr. M S M Fouzer from 14.09.2018 to 13.02.2020. From 14.02.2020 to 30.09.2020 Mr. J.M.S.N Jayasinghe and from 02.10.2020 Mr. D M S Dissanayake continued.

Heads of the Divisions of the Authority

1. Ms. Deepthi Tissera M.PA [PIM-Sri J] – Attorney-at-Law Director - Legal & Enforcement	2. Mr. W. W. A. K. Bandara B.Sc (Valuation) Sp. Director – Consumer Affairs & Information From 01.10.2019
3. Ms. Samantha Karunaratne B.A (Econ) Sp (Hons), M. A. (Economics) Director - Competition Promotion From 01.10.2019	4. Mr. Sampath Angulugaha B. Com (Sp) Hons, MBA, MIM (SL),AIPM(SL), AUKAP, PG Dip in Pers & HRM, Dip in PM Director - Human Resources & Admin
5. Mr. W M Priyantha MPM, B.Com (Sp) Hons, AIPFM, DPFM Director – Finance	6. Ms. Niranjala Jeganathan ACA, MBA (J'pura) Director - Pricing & Management
7. Ms. Rasika Savithri Wijesekara B.Sc Accounting (Sp) Hon USJ, CBA,MAAT Internal Auditor	

1.4 CONSUMER AFFAIRS COUNCIL

This Council has been established consisting of three specialists with wide experience in the field of Commercial Law, Business Enterprise Management, Trade Practices and Consumer Affairs. It should attend and determine all requests referred to it by the Consumer Affairs Authority. In addition, it is responsible for investigating and deciding complaints relating to anti-competitive behaviors under Section 38, fixing of maximum retail price under Section 19 and charging undue prices under sections 19 and 20 of the Act.

Members of the Consumer Affairs Council

Mr. M S M Samsudeen - Chairman

Mr. H Wijewardhena - Member

Ms. Rangika Kondaragamage (Attorney-at-Law) - Secretary to the Council-2019.08.01 – 12.01.2020

2. Objectives of the Authority

- a. To protect consumers against the marketing of goods or the provision of the services which are hazardous to life and property of consumers
- b. To protect consumers against unfair trade practices and guarantee that consumers interests shall be given due consideration.
- c. To ensure that wherever possible, consumers have adequate access to goods and services at competitive prices and
- d. To seek redress against unfair trade practices, restrictive trade practices or any other form of exploitation of consumers by traders.

3. Functions of the Authority

- 1) Control or eliminate –
 - a. restrictive trade agreement among enterprises
 - b. arrangements with enterprises with regard to prices
 - c. abuse of a dominant position with regard to domestic trade or economic development within the market or in a substantial part of the market; or
 - d. any restraint of competition adversely affecting domestic or international trade or economic development
- 2) Investigate or inquire into anti-competitive practices and abuse of a dominant position
- 3) Maintain and promote effective competition between persons supplying goods or services
- 4) Promote and protect the right and interests of consumers, purchasers and other users of goods and services in respect of the price, availability and equality of such goods and services and the variety supplied.
- 5) To keep consumers informed about the quality, quantity, potency, purity, standards and price of goods and services made available for purchases.
- 6) Carry out investigations, inquiries in relation to any matter specified in this Act.
- 7) Promote competitive prices in markets where competition is less than effective.

- 8) Undertake studies, publish reports and provide information to the public relating to market conditions and consumer affairs.
- 9) Undertake public sector and private sector efficiency studies.
- 10) Promote consumer education with regard to good health, safety and security of consumers
- 11) Promote the exchange of information relating to market conditions and consumer affairs with other institutions
- 12) Promote, assist and encourage the establishment of consumer organizations
- 13) Charge such fees in respect of any services rendered by the Authority
- 14) Appoint any such committee or committees as may be necessary to facilitate the discharge of the functions of the Authority; and
- 15) Do all such other acts as may be necessary for attainment of the objects of the Authority and for effective discharge of the functions of such Authority

4. Performance of the Consumer Affairs Authority

As per the organization structure, the Authority consists of 6 divisions operating under 6 Directors and Internal Audit. They are;

- 1) Consumer Affairs & Information
- 2) Compliance & Enforcement
- 3) Pricing & Management
- 4) Competition Promotion
- 5) Finance
- 6) Human Resource and Administration
- 7) Internal Audit

The performance of the Consumer Affairs Authority during the year 2020 is presented as below;

1. Protect Consumers against hazardous and substandard goods and services

a. Directions issued under Section 10 and 12 of the Act

Direction No. 72 : Prohibits the Manufactures, Traders or Distributors the use of locally produced rice or paddy directly for the manufactures of animal feed or as an ingredient for the manufacture of animal feed

Direction No. 73 : All manufactures Importers Distributors and Traders must point the information specified in the schedule in all three languages. (Rescinded Direction No. 71 Published in the Gazette No. 2156/16 dated 31.12.2019)

Direction No. 74 : NMRA Registration compulsory on Hand Sanitizers

b. Orders issued/removed under Section 20(5) of the Act

Order No. 58 : Maximum Retail Price on B-onion order remove the item B-onion in order No.39 in Gazette No:1975/68 – 14.07.2016

Order No 59 – Setting Maximum Retail Price on Chicken Meat

Order No 60 – Setting Maximum Retail Price on Maize

Order No 61 – Setting Maximum Retail Price on Mysore Dhal, B-onion and Canned fish

Order remove items Mysore Dhal in order No. 48 Gazette No. 2048/30 -06.12.2017

Order remove items B-onion in order No. 58 Gazette No. 2164/7 – 24.02.2020

Order remove items Canned Fish Order No. 39 Gazette No. 1975/68 – 14.07.2016

Order No. 62 - Setting Maximum Retail Price on certain varieties of Rice

Order Rescinded Order No. 5, Gazette No. 2154/19 – 19.12.2019

Order No. 63 - Setting Maximum Retail Price on Turmeric Powder

Order No. 64 – Rescinded Order No. 52 & 53 (Maximum Retail Price on Sugar – 12.10.2018)

Order No. 65 – Remove “Mysore Dhal” and “Canned” fish from Oder No. 61 dated 17.03.2020

Order No. 66 - Maximum Retail Price on certain varieties of Rice
(Rescinded Order No. 62 dated 10.04.2020)

Order No 67 – Imposition of Maximum charge for NSE Antigen Test for Dengue and Full Blood Count)

Order No. 68 – Rescinded the Order No. 63 (Turmeric Powder) published Gazette No. 2172/5 dated 21.04.2020

Order No. 69 - Setting Maximum Retail Price on Coconut

Order No. 70 - Setting Maximum Retail Price on Rice for Producers and Millers

Order No. 71 - Setting Maximum Retail Price on White Sugar

c. Monitoring of substandard imported goods

Action has been taken to liaise with the Sri Lanka Standards Institution and Sri Lanka Customs to avoid substandard goods entering at the point of entry in to the country where SLSI recommended goods to be re-exported for non-compliance to standards under the import inspection scheme.

d. Represented in National Committees and contributed to introduce policies / legislation to protect consumers

The CAA represents National level committees operating under the Ministry of Health, Ministry of Technology and Research, Ministry of Environment, Ministry of Power and Energy, National Council for Economic Development and contributes to introduce policies and legislations to protect the consumers.

2. Protect Consumers against deceptive conduct and unfair trade practices

a. Awareness Programs for the Business Community

Protecting, upgrading and empowering vulnerable groups by awareness with civil society outreach programs are more effective way to promote competition. This has been implemented through planned and designed trader awareness programme.

During 2020 Authority has conducted 88 programmes for the business community.

Table – 1 - Trader Awareness programs conducted in 2020

Province	District	Traders Awareness Programs
		No of Programs
Central Province	Kandy	09
	Matale	-
	Nuwara Eliya	07
Eastern Province	Ampara	01
	Batticaloa	01
	Trincomalee	-
North Central Province	Anuradhapura	11
	Polonnaruwa	-
Northern Province	Jaffna	01
	Kilinochchi	05
	Mannar	07
	Mullaitive	02
	Vavuniya	05
North western province	Kurunegala	10
	Puttalam	-
Sabaragamuwa Province	Kegalle	01
	Ratnapura	06
Southern Province	Galle	-
	Hambantota	-
	Matara	-
Uwa Province	Badulla	01
	Monaragala	16
Western Province	Colombo	-
	Gampaha	03
	Kalutara	02
Total		88

b. Market raids and Investigations

As per the provisions of the Consumer Affairs Authority Act, raids are being conducted for violating the labeling instructions, selling above the marked price, refusal to sell goods, deny the possession of goods, hoarding of goods, increase of retail or wholesale price of certain goods without prior written approval of the Authority, non-displaying of the price lists, non-issuing of receipts to purchasers, misleading or deceptive conduct and false representations done by the manufacturers/ traders. The erroneous traders are prosecuted in the respective magistrate courts and fines imposed based on the provisions granted in Section 60 of the Act.

Table-2 - The Progress on Market Raids and Fines Imposed

Activities carried out (Target)	Number of Raids	Number of Cases	Fine Imposed (Rs)
Market raids and investigations			
- Market Investigations on Section 10 (Violation of directions issued under Section 10)	5,381	5,167	26,159,300
- Market Investigations on Section 11 (Selling at a higher price than the marked price)	166	124	630,000
- Market Investigations on Section 12 (Non-compliance with the standards)	259	272	1,623,500
- Market Investigations on Section 15	24	33	127,000
- Market Investigations on Section 16 (Denial of possession of any goods)	32	40	266,500
- Market Investigations on Section 17 (Hoarding of Goods)	02	-	-
- Market Investigations on Section 18 (Violation on MRP)	08	16	78,500
- Market Investigations on Section 20	2,362	2,005	8,265,600
- Market Investigations on Section 26 (Non displaying the price list)	5,184	4,763	14,207,400
- Market Investigations on Section 28(Traders to issue receipts to purchasers.)	15	09	22,500
- Market Investigations on Section 30 (Misleading or deceptive conduct)	1,653	1,551	8,884,700
- Market Investigations on Section 30 and 31 (Misleading and false representations)	756	808	4,616,300
Market Investigations on Section 31 (False representation)	81	118	597,500
Total Raids and Fines	15,923	14,906	65,478,800

SPECIAL RAIDS CONDUCTED BY CONSUMER AFFAIRS AUTHORITY

01' The Consumer Affairs Authority conducted a raid on 17.02.2020 to arrest persons with unauthorized lubricant oil products which are unauthorized and not up to the standard and issued to the market under various institutes and trade names without the approval of the Mineral Oil Resource Division and unauthorized lubricant oil approximately of Rs. 25 Lakhs was taken into custody.



02. On information received by Hiru CIA, Consumer Affairs Authority of Gampaha conducted a special raid on 01.02.2020 at Madeena Foods Pvt. Ltd. Hendala due to the use of expired ingredients when making cakes. Around 17.5 Tonnes of expired ingredients used to make cake were referred for disposal a legal action is being taken in this regard.



03. The Head Office of Consumer Affairs Authority conducted raids on illegally imported masks without good standard on 30.01.2020 and 31.01.2020. The respective shop owners were fined and they were compelled dispose them.



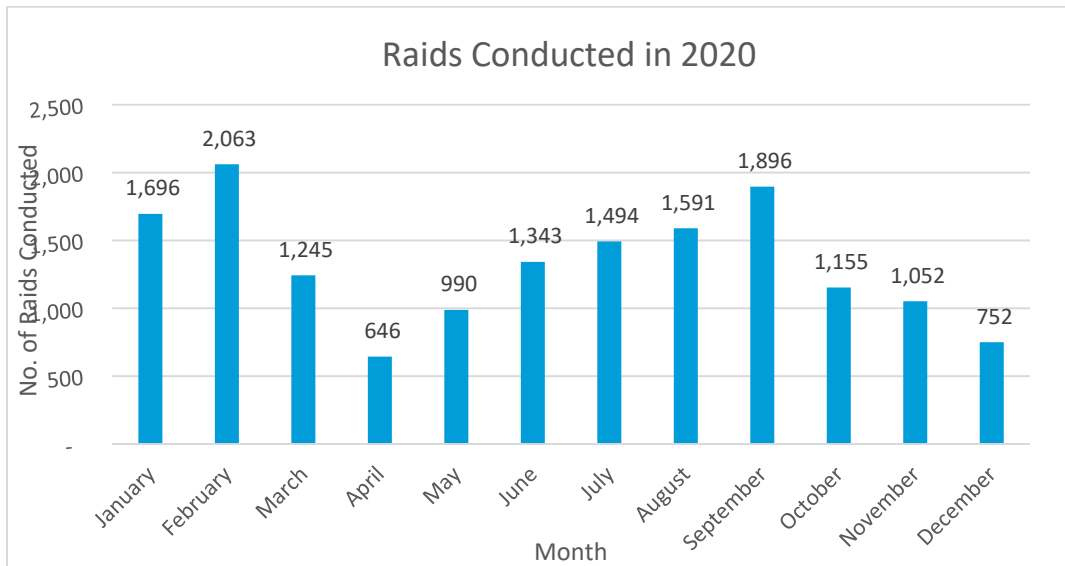
04. Some personnel who were involved in mixing chilies with poor quality and chilies with poor quality were raided by the Head Office of Consumer Affairs Authority on 02.02.2020. At this raid, around 25 Kg of in 25 bags was taken into custody.



05. On 17.02.2020 the Head Office of Consumer Affairs Authority conducted a raid and found 200 l of used farm oil which was arranged to be sold in Colombo 11.



Raids Conducted by Consumer Affairs Authority



Fines Imposed by Consumer Affairs Authority



3. Provide redress to Consumers affected by unfair trade practices

a. Handling of Consumer Complaints

Consumer Affairs Authority intervenes in to consumer complaints based on the provisions granted in sections 13 and 32 of the Act. The Authority can inquire in to complaints regarding sale of goods and to the supply of services which does not conform to the warranty or guarantee given by implication or otherwise, by the manufacturer or trader.

The progress of handling consumer complaints during 2020 is presented in **Tables -3**

Table – 3 - Handling consumer complaints

	Total
Total Complaints received	1978
(a) By Mail	1978
Raids(Head office/district office)	1052
Referred to other institution	453
Complaints referred for inquiries	31
Discussion held on consumer complaints & discussion held prior to inquiries	846
Settled after discussions	317

(including previous year complaints)

Court Cases

Category	2020
New cases filed by Legal & Enforcement	14
Appearance in Court	288
Fines (receiving Court cases)	211,000.00

4. Consumer Education and Empowerment

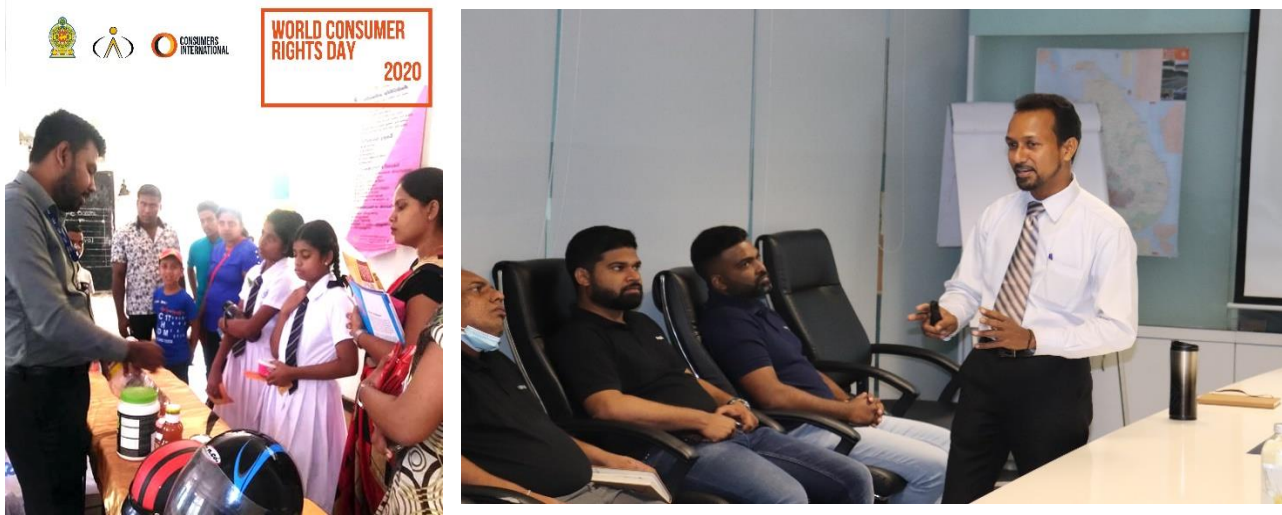
a. Consumer Awareness Programs

The Consumer Affairs Authority use electronic and print media, seminars and workshops, exhibitions etc. to educate the public on their consumer rights and responsibilities, current consumer law, good consumer values and good business practices etc. In addition to above programs, Consumer Rights Day is being celebrated with the participation of consumer groups and business community. Island-wide awareness programs were conducted on consumer rights and rules and regulations of the Act.

Table –5 - Awareness Programs conducted by the CAA

Province	District	General Public	School Awareness
Central Province	Kandy	08	01
	Matale	02	-
	Nuwara Eliya	07	02
Eastern Province	Ampara	21	10
	Batticaloa	18	18
	Trincomalee		
North Central Province	Anuradhapura	01	07
	Polonnaruwa	02	01
Northern Province	Jaffna	12	04
	Kilinochchi	09	03
	Mannar	02	04
	Mullaitive	01	04
	Vavuniya	02	02
North western province	Kurunegala	11	02
	Puttalam	05	03
Sabaragamuwa Province	Kegalle	03	01
	Ratnapura	08	-
Southern Province	Galle	05	02
	Hambantota	04	-
	Matara	01	01
Uwa Province	Badulla	01	06
	Monaragala	10	-
Western Province	Colombo	06	06
	Gampaha	02	-
	Kalutara	01	03
Total		147	85

Awareness Programs conducted by Consumer Affairs Authority



The Consumer Affairs Authority took steps to educate schools and the business community.

5. Protection of traders and manufacturers against anti-competitive practices and promotion of healthy competition.

Activity	Total
<u>Investigation into complaints from trade</u> Intervention on complaints made to the CAA in respect of anti-competitive and unfair trade practices <ul style="list-style-type: none"> • Complaints received from previous period • Complaints received during the period • Complaints transferred to the Council • Complaints disposed during the period • Complaints under progress 	18 23 - 12 29
<u>Maintaining level playing field for fostering competitions</u> Implementation of government policy on five products are identified currently under the Gazette Notification No 1505/15 of 11/07/2007 <ul style="list-style-type: none"> • No of Applications Received • No of Applications Processed 	212 212
<u>Price monitoring on food Commodities-No of reports</u> Reports on daily retail prices of Vegetables Reports on retail prices on essential goods Special price Reports	50 50 65
Research Study Special Study	02 -
Conducted Awareness	02
1977 Interactive Mobile Service	Three days per week basis (5*60*3) + 15 of entities

Interactive Mobile Service (1977)

Retail price information to citizens through interactive mobile response (Short code 1977)

During the year Authority continued to provide the service through its short code telephone number 1977 and interactive mobile service retail markets (Colombo Pettah, Dematagoda, Borella, Nugegoda and Wellawatta) retail prices are collected on daily basis for vegetable, fruits and food commodities. Fish price are collected from Peliyagoda market. These are uploaded into the system daily. This enables the consumers to make a well informed decision on their purchases.

Establish and maintain effective relationships with other regulatory Authorities and stake holder organizations.

1. Food Safety Management Systems Advisory Committee- SLSI
2. Management Systems Certification Committee-SLSI
3. Committee on the strengthening of the enforcement mechanism to ban and control the usage of polytheen & plastic in SRL-Ministry of Mahaweli Development & Environment
4. Project Steering Committee on Environment sound management and disposal of polychlorinated Biphenyl (PCBs) Wastes and PCB contaminated/contained equipment in Sri Lanka-Ministry of Mahaweli Development & Environment
5. Committee on the introduction of additional regulations for further strengthening of the activities implemented in Sri Lanka on the phasing out of the usage of HCFC-Montreal Protocol-Ministry of Mahaweli Development & Environment
6. Committee on the implementation of principles of extended producer/trader and consumer responsibility for waste management in Sri Lanka- Ministry of Mahaweli Development & Environment
7. Technical Advisory Committee for the Management of Industrial Chemical (TACMIC) in Sri Lanka-Central Environment Authority
8. Committee on Basel, Rotterdam, Stockholm & Minamata Conventions-Ministry of Mahaweli Development & Environment
9. National Electro Technical Committee of Sri Lanka –SLSI
10. Stakeholder Committee on the formulation of the National Chemical Management Policy- Ministry Mahaweli Development & Environment
11. Working Group on the amendment of the SLS on Helmets-SLSI
12. Committee on the formulation of a national E.Waste management Policy based on the performance Audit Report submitted to the Public Accounts Committee-Ministry of Mahaweli Development & Environment
13. Committee on Chemical Accidents Prevention & Preparedness-Central Environment Authority
14. Technical Expert Committee for the implementation of the Basel Convention- Central Environment Authority
15. Committee on National Nutrition Policy-Ministry of Health, Nutrition & Indigenous Medicine
16. Cost of Living Committee Meeting-Ministry of Finance
17. Food Advisory Committee- Ministry of Health

Ensure Reasonable Pricing

a. Price Regulation of specified goods

The Consumer Affairs Authority intervenes into the market prices of identified commodities based on the powers vested in sections 18, 19 and 20 of the Act. Actions taken by the CAA to stabilize/ fix the prices of selected commodities is presented in **Table -7** below.

Table – 7 - Action taken by the Consumer Affairs Authority to stabilize/ fix the prices of specified items No. of determinations issued

Commodity	No of determinations
Gas	No Determination has been issued for Gas Applications.
Cement	Determination has been issued for 09 No of Cement Applications.
Full Cream Milk Powder	Determination has been issued for 09 No of Full Cream Milk Powder Applications.
Nonfat Milk Powder	No determination has been issued for Nonfat Milk Powder Applications.
Infant Milk	Determination has been issued for 01 No of Infant Milk Powder Applications.
Wheat Flour	No determination has been issued for Wheat Flour Applications.
Canned fish	Determination has been issued for 02 No of Canned Fish Applications.

No of Applications received

Items	No of applications
Cement	10
Full Cream Milk Powder	09
Infant Milk Powder	01
Nonfat Milk powder	-
Gas	-
Wheat Flour	-
Canned fish	04

No of Interim Order issued

Items	No of Interim Orders
Cement	08
Full Cream Milk Powder	01
Nonfat Milk powder	-
Infant Milk Powder	01
Wheat Flour	-
Canned fish	03

b. Capacity Enhancement of the Organization

a. Staff Development

Consumer Affairs Authority considers the development of the staff in their relevant fields is an investment which contributes to uplift the quality of our services. Details of the staff training programs held in 2020 is presented in **Table-8** below.

Table – 8 - Staff Training & Development Programs held in 2020

#	Training Program	Held Date/s	No. of Participants
01	EB Examination Final Seminar	22 nd January 2020	77
02	Certificate Course on Cross Examination (Practical Training – 8 Week), Bar Association, Sri Lanka	24 th January 2020 to 8 week	02
03	Workshop on Competency & Expertise through learning and unlearning in the workplace	27 th February 2020	01
04	Training on Disciplinary Inquiries, PRAG Institute	12 th March 2020	03
Total			83

b. Strengthening the Staff position of the Authority

Designation	Salary Code	Approved Cadre	Existing Cadre		Vacancy
			Permanent	Temporary /Contract	
Senior Manager					
Director General	HM 2-1	1	1	0	0
Directors/Secretary to the Council	HM 1-1	7	6	0	1
Manager					
Internal Auditor	MM 1-1	1	1	0	0
Assistant/Deputy Directors (L&E)		0	0	2	
Assistant/Deputy Directors (Admin & HR)		1	0	1	
Assistant/Deputy Directors (Finance)		2	0	0	
Assistant/Deputy Directors (CP)		1	0	1	
Assistant/Deputy Directors (P&M)		1	0	1	
Assistant/Deputy Directors (CA &I)		0	0	2	
Deputy Directors / Assistant Directors Regional Affairs		12	6	0	6

Deputy/ Assistant Director (Cooperate Communication)- Temporary Basis		1	0	0	1
Junior Manager					
Audit Officer	JM 1-1	2	2	0	0
System Administrator		1	1	0	0
Senior Investigation Officer		27	27	0	0
Senior Statistical Officer		1	0	0	1
Senior Market Research Analyst		1	0	0	1
Senior Accounts Officer		2	1	0	1
Confidential Secretary (Chairman)		1	1	0	0
Confidential Secretary (DG)		1	0	0	1
Senior Admin/ HR Officer		1	0	0	1
Senior Legal & Enforcement Officer		2	1	0	1
Senior Costing Officer		1	1	0	0
Legal & Enf. Officer			6	6	0
Enforcement/Operational/Extension					
Data Coordinator	MA 5-2	1	0	0	1
Statistician Officer		1	1	0	0
Market Research Analyst		1	1	0	0
Documentation Officer II		6	3	0	3
Librarian		1	1	0	0
Costing Officer		15	2	0	9
Accounts Officer			4	0	
Administration Officer II		5	3	0	2
Investigation Officers		450	368	0	82
Media Officer (Contract Basis)		1	0	0	1
Management Assistant (Tech)					
Book Keeper	MA 2-2	1	0	0	1
Cameraman (Contract Basis)		1	0	0	1
Management Assistant (Non-Tech)					
Management Assistant	MA 1-2	50	41	0	9
Management Assistant (Shroff)		1	1		

Primary Level (Skilled)					
Driver	PL 3	28	26	0	2
Primary Level (Un-Skilled)					
Office Aide	PL 1	24	21	0	3
Office Aide (Contract Basis)		1	0	0	1
Total -		667	531	0	136

c. Staff Motivation and Welfare

During the year, several steps such as medical Insurance Scheme, Cultural and Religious Programs, Staff Development Programs, Employee Recognition were continued in order to provide a pleasant and conducive working environment for the staff.

C. Amendments to the CAA Act

At the Attorney General's Department for the clearance of the Hon. Attorney General.

CONSUMER AFFAIRS COUNCIL

The Consumer Affairs Council administratively functions under the Consumer Affairs Authority and is conferred with powers by the Act to hear and determine references made to it by the Authority, mainly in the area of anti-competitive practices. In terms of the provisions of the Act, cases on excessive pricing, market imperfections and market manipulations are also being referred to the Council for investigation. Where necessary the council is empowered to recommend ceiling on prices at which goods shall be sold or services shall be provided.

Complaints/ References

Activities	Progress
Ensure redress against anti-competitive practices which operates against public interest	Pending-01
Recommend a ceiling price of goods and services	05
Investigations under excessive prices	02



CONSUMER AFFAIRS AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020

	As at 31.12.2020 LKR 000'	As at 31.12.2019 LKR 000'
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	64,709	74,663
Trade and Other Receivables	31,905	35,667
Inventories / Stocks	2,472	2,710
Other Current Financial Assets	9,306	10,980
	108,392	124,020
Work In Progress (Development Phase)	-	731
Non - Current Assets		
Investment	315,418	306,223
Gratuity Fund Investment Account	72,462	54,234
Other Non-Current Financial Assets (Staff Loan)	12,343	17,800
Lease Hold Building	750	775
Property, Plant and Equipment	64,837	82,688
	465,809	461,720
Total Assets	574,202	586,470
<u>LIABILITIES</u>		
Current liabilities		
Accrued Expenses	50,778	40,405
Payables & Other Liabilities	1,592	6,249
	52,370	46,654
Non-Current liabilities		
Provision for Gratuity	84,141	79,620
Total liabilities	136,512	126,274
Total Net Assets	437,690	460,197
<u>NET ASSETS / EQUITY</u>		
Accumulated Fund	63,191	63,191
Deferred Income	(4,339)	14,241

Reserves	378,837	382,764
	437,690	460,196
Total Net Assets / Equity	437,690	460,196

The Accounting policies on pages 05 to 13 and Notes on pages 14 to 53 is integral part of these Financial statements. The Board of Directors is responsible for the preparation and presentation of the Financial statements. These Financial Statements were approved by the Board of Directors and signed on their behalf



Director Finance
Consumer Affairs Authority



Director General
Consumer Affairs Authority



Chairman
Consumer Affairs Authority



CONSUMER AFFAIRS AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
31ST DECEMBER 2020

	As at 31.12.2020	As at 31.12.2019
	LKR 000'	LKR 000'
Revenue		
Recurrent Grant	477,296	502,975
Fine Income	21,826	39,094
Other Income	61,278	67,223
	560,400	609,292
Expenses		
Personal Emoluments	(398,742)	(378,172)
Travelling	(10,189)	(13,589)
Supplies and Consumable	(10,577)	(10,733)
Maintenance	(10,132)	(9,207)
Contractual Services	(56,524)	(64,704)
Depreciation	(23,080)	(32,123)
Other Operating Expenses	(32,726)	(43,206)
Finance Cost	(194)	(204)
Arbitration	(22,163)	-
	(564,327)	(551,938)
Total Net surplus /(deficit) for the period	(3,927)	57,354
Revaluation Gain	-	16,916
Total comprehensive income for the year	(3,927)	74,270



CONSUMER AFFAIRS AUTHORITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2020

	2020	2019
	LKR 000'	LKR 000'
Cash flows from Operating Activities		
Surplus / (Deficit) from ordinary activities	(3,927)	57,354
Adjustment for		
Receipts of disposal assets	-	22
Depreciation	23,080	32,123
Gratuity Provision	5,180	13,602
Amortization	25	25
Operating profit before working capital changes	24,358	103,126
Increase in payables - Note I	5,717	(7,489)
Decrease in other current assets - Note II	5,675	(5,474)
Gratuity Payment	(659)	(1,909)
Decrease/ Increase in Work In Progress	731	138
Net cash flows from operating activities	35,821	88,392
Cash flows from Investing Activities		
Purchase of Plant and Equipment	(5,228)	(10,975)
Investment in Gratuity Fund	(18,228)	(22,704)
Increase in Investments	(9,195)	(30,446)
Decrease in - Long Term Loan(Staff Loan)	5,456	570
Net cash flows from investing activities	(27,195)	(63,555)
Cash flows from Financing Activities		
Treasury Grant - Capital	4,500	11,348
Depreciation	(23,080)	(32,124)
Deferred Income	(18,580)	(20,776)
Net cash flows from financing activities	(18,580)	(20,776)
Net Increase / (Decrease) in cash and cash equivalents	(9,954)	4,061
Cash and cash equivalents at beginning of period	74,663	70,602
Cash and cash equivalents at end of period	64,709	74,663

Statement of Changes in Equity as at 31.12.2020

LKR'000

Description	Attributable to owners of the entity			
	Contributed Capital	Accumulated Surpluses/ Deficits	Revaluation Surplus	Total net Assets/ Equity
Balance as at 01/01/2020	14,241	415,927	16,916	447,084
Re Estimated Profit (2019)		13,113		13,113
Restated Balance	14,241	429,040	16,916	460,197
Changes in Net Asset/ Equity 2020				
Contribution - Treasury (capital)	4,500			4,500
Differed income Amortization	(23,080)			(23,080)
Surplus/ Deficit for the year		(3,927)		(3,927)
			-	-
Balance as at 31/12/2020	(4,339)	425,113	-	437,690



NOTES TO THE ACCOUNTS

Corporate Information

1.1 Consumer Affairs Authority (CAA) was established under the Consumer Affairs Authority Act No. 09 of 2003 by repealing the Consumer Protection Act No.1 of 1979, the Fair Trading Commission Act No.1 of 1987 and the Control of Prices Act (Chapter 173).

As per the Public Enterprises Circular No.PED/58/02 dated 15th September 2011, Consumer Affairs Authority is categorized under “A” of sub-category “A” in Regulatory Agencies.

1.2 Principal Activities and Nature of Operation

The Principal Activity of the Authority is to protect the Consumers and the regulations of internal trade.

1.3 The number of employees of the Authority at the end of the year 2020 is 531.

1.4 Significant share holding / Equity

Consumer Affairs Authority is mainly granted by the Treasury. Net balance of the Fund, that is formed by 1/3 of the fine income and fees charged for awareness for traders which are direct income to the Authority, is also represented in the equity of Authority.

1.5 Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received. When the grant relates to an expense item, it is recognized as income for the year. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the CAA receives grants of non- monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments. Government grants related to assets and non-monetary grants at fair value have been presented in the balance sheet as differed income.

2. General Accounting Policies

2.1 The financial statements of Consumer Affairs Authority (CAA) have been prepared in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS) issued by the Public Sector Accounting Standards Committee of the Institute of Chartered Accountants of Sri Lanka.

2.2 The Financial statements have been prepared on historical cost basis and prospective recognition for change in accounting estimates.

2.3 Fine Income

2.3.1 Income earnings from the fines were earlier excluded from the statement of financial performance since those were not utilized for the general activities of the Authority. From year 2011 onward CAA utilizes this income with approval from the General Treasury or and Board of CAA. Accordingly, fine income is treated as an income and all the related expenses to the fine have shown at the statement of financial performance.

2.3.2 There are instances where CAA receives money as fines income but cannot recognized at the time due to the differences between the case numbers and related information given by the relevant raiding officers of CAA and the case numbers and information given by the relevant Courts with their remittances. They are generally transferred to Suspense – Fines Income account with the purpose of verification whether they are actually disserved to the Authority or mistakenly remitted by the Courts. If such money remains unrecognized until the next year end, then they are credited to the Consumer Protection Fund of the Authority.

2.3.3 According to the past experience, it is observed that almost all of unidentified fine income reflected the fine receivable.

2.4 Financial Year

Financial Year of the Authority is the calendar year which ends on 31st December.

3. Assets Bases and of their valuation

3.1 Property, Plant and Equipment

3.1.1. CAA chooses cost model as its accounting policy and prospective recognition for accounting estimates. (SLPSAS 7)

3.1.2 Property, Plant and Equipment (PPE) are stated at cost, net of accumulated depreciation which includes the replacing components parts of the Property, Plant and Equipment. When significant part of the Property Plant and Equipment are to be replaced the CAA derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Repair and Maintenance costs are recognized in the Statement of Financial Performance as incurred.

Any revaluation surplus is recognized in the Accumulated in Equity in the Asset Revaluation Reserves.

3.1.3 The cost of Property Plant & Equipment is the cost of purchases or construction with any expenses incurred in bringing the assets to working condition for its intended use.

3.1.4 Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the life time of the assets has been treated as Capital Expenditure.

3.1.5 Work In Progress

This represents the amounts of Office Partitioning which is as follows.

	Estimated total cost (Rs.)	Completed /Certified as at 31.12.2020 (Rs.)	Payment made (Rs.)	Balance to be paid (Rs.)
Office Partition - Anuradhapura	1,376,300.00	730,500.00	730,500.00	0.00
Total	<u>1,376,300.00</u>	<u>730,500.00</u>	<u>730,500.00</u>	<u>0.00</u>

3.2 Depreciation

All the assets acquired are depreciated by the Authority commencing from the month the asset is available for use.

3.2.1 Depreciation has been provided on a consistent basis so as to write off the cost of Property Plant and Equipment over their estimated lives as follow.

Office Furniture & Fittings	10%
Office Equipment	10%
Computer Equipment	20%
Computer Software & Web Designing (Intangible Assets)	20%
Motor Vehicle	20%
Office Partitions	20%
Non Consumables	10%

3.2.2 Consumer Affairs Authority uses the straight line method in computing depreciation.

3.2.3 No depreciation is made for Library Books.

3.2.4 Value of depreciation relating to the year is transferred to the Differed Income Account.

3.3 Building Premises – Kurunegala

Payment of Rs. 1 Million for the building premises which has been assigned by District Secretary of Kurunegala to Kurunegala District Office of CAA is amortized over 40 years.

3.4 Debtors & Receivables

Debtors & Receivables are stated at the amount that they are estimated to realize.

3.6 Cash & Cash Equivalent

Cash & Cash Equivalent are defined as Cash in Hand, Cash in Bank and short term Investment.

3.6.1 For the purpose of Cash Flow Statement, Cash & Cash equivalent consist of cash in hand and deposits in Banks.

3.7 Fixed deposits

Fixed Deposits of the CAA are classified under investment. Since CAA has past experience that Fixed Deposits are not withdrawn within period and it is assumed that majority of Fixed Deposits will remain at least 3 years. Fixed Deposits are measured initially at cost.

4. Liabilities & Provisions

4.1 Payables

Payables are stated at their costs.

4.2 Retirement Benefit Obligation

The CAA has two Defined Benefits Pension Plans, both of which require contribution to be made.

4.2.1 Defined Benefit Plan- Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Since 2018, the gratuity liability was calculated using formula method for all existing employees as required by LKAS 19 – ‘Employee Benefits’. Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefit. However, for entities of the Group operating in Sri Lanka, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The

present value of the defined benefit obligations depends on a number of factors that are determined on a formula basis using a number of assumptions.

The Provision for Retirement benefit obligation for all employees as at 31st December 2020 is **Rs.84,141,474.24**. Key assumptions used in determining the defined retirement benefit obligations are as follows. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

	2020
Discount interest rate	6.32%
Salary increment rate	5.00%
Staff turnover rate	2.00%
Retirement age	60 Years

CAA has obtained the approval to invest gratuity provision separately. Investment for gratuity has been calculated for the employees whose service period is over five years. Below mentioned is the summary of gratuity investment as at 31/12/2020 and balance to be invested.

	Rs
Provision for gratuity employees' service over 5 years as at 31.12.2020	70,092,828.00
Investment made as at 31.12.2020 with accumulated Interest	72,461,719.00
Provision made for the year 2020	-

4.2.2 Defined Contribution Plans / Employee Provident Fund & Employee Trust Fund

All employees are eligible for EPF & ETF contribution in line with respective statutes and regulation. Contribution to Provident Fund and Trust Fund covering the employees are recognized as an expense in the Income Statement.

The Authority contributes 15% and 3% of gross emoluments of employee to Employee Provident Fund and Employees Trust Fund respectively.

4.3 Contingent Liabilities.

4.3.1 There are 7 court cases against Consumer Affairs Authority as at 31.12.2020 and these cases categories as per the Court of appeared, which are as follows.

Court	No of Cases
Supreme Court	04
Court of Appeal	03
Total	07

Most of these court cases filed against decision given by the CAA on behalf of consumers. There some cases against the published gazettes or a section of the gazettes by CAA. However, quantify the value of contingences is not done, since most of aggrieved parties are expecting reverse the Authority decision, amend or cancel the published gazettes.

4.3.2.1 SICPA, the proposed company to implement a technology based consumer protection project – secure tracking & tracing system for certain identifying products in order to ensure consumer safety, has filed an application for arbitration of the dispute which has arisen as a result of the non-implementation of the system by CAA as per the agreement.

4.3.2.2 Reason For non-implementation

Subsequent to the issuance of the Direction (Direction No 49 on 24/02/2014) Manufacture of the specified products have made known of the CAA of their concerns of the direction and several discussion have also been made. Since the discussion held failed, Sri Lanka bottled water association, Beverage Association and cosmetic manufactures have filed an application in the court of appeal (CAA/Writ/281/2014) on 14/08/2014 against non-operation of the direction and case is still in progress in the court of appeal.

4.3.2.3 SICPA has sought LKR 2.716Bn or any other such sum determined by the tribunal or alternatively LKR 3.887Bn any other such sum determined by the tribunal and interest on the damages claimed and all cost of the arbitration.

4.3.3 Cost of Arbitration

- I. CAA has been requested to make a payment of USD 230,000.00 as share of provisional advance on the cost of arbitration.
- II. Arbitration Case proceeded on 20th, 21st, 22nd, 24th, 25th, 26th, 27th, 28th, 29th of August, 12th of September and 21st, 22nd, 23rd of October 2020 in Colombo ACPL Arbitration Centre.
- III. CAA has expended Rs. 22,162,690.00 for Arbitration as at 31.12.2020, which is depicted below.

Arbitration Expenses	Rs
Expert Opinion Fee	2,770,000.00
Arbitration Center Charges/Hearing & Refreshments	3,903,857.00
Audit Fee	3,699,000.00
Real Time Transcription Services	4,675,321.00
Counsel Fee - Attorney General Department	6,948,500.00
Courier Charges & Stationary	166,012.00
	22,162,690.00

5. **Income**

Revenue Recognition

Revenue is recognition to the extent that it is probable that will flow to the CAA and the revenue can be reliably measured.

Interest Income

Interest income for fixed deposits is calculated and recorded using nominal interest rate (NIR). Average interest rate of the fixed deposits is 9.83%.

Government Grants

Government Grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grants relates to an expense item (recurrent grant) it is recognize as income over the period. When the grants relates to an assets item (capital grant) it is recognize as Deferred Income and released income in equal amounts over the expected life of the related asset.

Where the CAA receives the Non monetary grants, the asset and grant are recorded gross at nominal amounts and released to the Income Statement over the expected life of the asset. (* /IAS 20)

Chairman
Consumer Affairs Authority

Financial Statements of the Consumer Affairs Authority for the year ended 31 December 2020 and the Auditor General's Report on other legal requirements as per section 12 of the National Audit Act No. 19 of 2018

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Consumer Affairs Authority for the year ended 31st of December 2020 comprising the statement of financial position as at 31st of December 2020 and the statement of financial performance, and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971 . This report will be presented to Parliament in due course in terms of Article 154 (6) of the Constitution of Sri Lanka.

In my opinion, except for the effects of the matters described in the section of basis for qualified opinion of this report, a true and fair view of the financial performance and cash flow for the year ended as at 31st of December 2020 in accordance with Public Sector Accounting Standards.

1.2 Basis for the Qualified Opinion

Action had not been taken to revalue all the assets which are to be revaluated in accordance with the Sri Lanka Accounting Standards 07 and had been depreciated as at the end of the previous year. However, 422 asset items which come under three categories amounting Rs. 83,230,824 which were being used at that time had been revaluated. The revaluated reserve had been adjusted with the accumulated profit and the annual depreciation expense of Rs. 30,943,048 had been adjusted to the Capital Grant Account. Hence, the balance of the capital grants account of Rs. 4,338,513 had been stated in financial statements as an unusual annual minus value.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Other information included in the 2020 Annual Report of Consumer Affairs Authority

Other information consists of the information included in the Annual Report 2020 of the Authority, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When reading the 2020 Annual Report of the Authority, if we conclude that material misstatement consists thereof, such facts shall be communicated to those charged with governance for correction. If there are further misstatements that have not been corrected, we will include them to the report to be tabled at the parliament in due course in compliance with the Article 156(4) of the Constitution.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud and error.

When preparing financial statements, it is a responsibility of the management to determine the ability of continuous operation of the Authority and in case the management determines to liquidate the institute or unless take action to cease the operations in the absence of other alternative, the management is responsible for accounting based on the continuous operation and to disclose the matters on the constant operation of the institute in future.

Those charged with governance are responsible for overseeing the authority's financial reporting process.

As per sub section 16(1) of the National Audit Act No. 19 of 2018, the Authority is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the fund.

1.5 Auditor's Responsibility on Audit of Financial Statements

My objective is to express a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the Summary Report of the Auditor General that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also furthermore;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control.
- Evaluate the fairness of the accounting policies and accounting estimates used and the appropriateness of the related disclosures made by the management.
- Conclude on the appropriateness of the use of going concern basis of accounting based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

2. Report on the other legal and regulatory requirements

2.1 National Audit Act, No. 19 of 2018 includes specific provisions in respect of the following requirements.

- 2.1.1 Except for the effects from the matters described under the basis for the qualified opinion in my report, I have obtained all the information and explanations for the purpose of audit and as per revelations from my examination, proper financial records have been maintained by the Authority as per the requirement of Section 12(a) of the National Audit Act, No. 19 of 2018.
- 2.1.2 The financial statements presented are consistent with that of the preceding year as per the requirement of Section 6(1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- 2.1.3 Any observation made by me in the preceding year as per the requirement of Section 6(1) (d) (iv) of the National Audit Act, No. 19 of 2018 had been included in financial statements.

2.2 Based on the procedures which had been adopted and the evidence obtained which limited to matters that are material, nothing has come into my consideration to express following statements.

2.2.1 As per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018, whether any member of the governing body of the Authority has any direct or indirect interest in any contract entered into by the Authority beyond the normal course of business.

2.2.2 Except for the below mentioned observation, whether Authority has not complied with any applicable written law or other general or special directions issued by the governing body of the Authority as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018

Reference to rules and regulations / order

Description

(a) Section 16(2) of the National Audit Act No.19 of 2018

Even though the draft Annual Performance Report should be submitted along with the Annual Financial Statements of 2020, the Authority had not made arrangements to submit the draft performance report.

(b) Section 8 of the Finance Act No. 38 of 1971.

The Authority had not taken action to prepare draft budget estimates for the year 2020 and obtain the approval of the Governing Board.

(c) Financial Regulations 756(6)
Public Finance Circular No. 05/2016 dated 31st of March 2016

The Authority had not taken action to conduct Board of Surveys as per the Financial Regulations and circulars.

(d) Public Finance Circular No. 01/2014 dated 17th February 2014

The Authority had not prepared an Annual Action Plan and a Corporate Plan had not prepared for the period of three years of 2020-2022.

2.2.3 As per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018, whether the Authority has not performed according to its powers, functions and duties.

(a) In accordance with section 60(6) of the Consumer Affairs Authority Act No.09 of 2003 even though the Authority should publish the names and addresses of the persons who had committed several offences in the previous time as appropriate to make aware the customers, it had not been published.

(b) Even though 112 samples of the 299 samples checked in 2020 had been confirmed as out of the prescribed standards and specifications as per the section 61(3) of the Consumer Affairs Authority Act No. 9 of 2000, action had not been taken prohibit and retain such items .

2.2.4 As per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018, whether the resources of the Authority had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

3. Other matters

- (a) Although amendment of Consumer Affairs Authority Act No. 09 of 2003 was started in 2004 it had not been completed even by the year under review at the completion of 16 years.
- (b) The approved cadre of the Consumer Affairs Authority was 667 and the existing cadre is 531. Hence, the number of vacancies was 136. An amount of Rs. 831,222 had been spent on publishing paper advertisements time to time in the year 2020 to fill those vacancies only three vacancies could be filled by 22nd of February 2021. Further, 4 Senior Investigation Officers had been recruited on 01st October 2021 even though their salaries had been deferred on disciplinary action and not passed Efficiency Bar Examinations as at the due date and not prepared criteria in respect of giving marks for additional / professional qualifications.
- (c) Even though price for laboratory tests has been controlled through the gazette notification No. 2186/17 dated 29th July 2020, Consumer Affairs Authority had not conducted any raid to investigate whether that price control has passed to the consumers.
- (d) Of the fines amounting Rs. 7,676,874 sent by the Magistrate in 2020, 154 cheques were overdue and returned to the court. Even though here were 45 days from the date of issuing cheques and to the date of returning them to the court for clearing the cheque, the Authority had not made arrangements to get them realized.
- (e) Of the 1,556 complaints registered in the Legal Division from 2015 to 2020, 678 complaints had been settled as at 31st of December 2020 while 166 complaints had been dismissed. Investigations had not been completed in respect of 256 complaints and 456 complaints were to be summoned. Among these 456 complaints, 175 had been referred for investigation in 2018. Of the 80 complaints referred for investigation, only 04 had been settled 74 had not been summoned.
- (f) The hotline 1977 was activated in 2013 to facilitate consumers to market get prices immediately and to lodge urgent complaints and an amount of Rs. 9,188,396 had been borne on it. 5,104 complaints had been received from March to December 2020 and no action had been taken on 3790 complaints even by the end of the year under review. Accordingly, action had not been taken in respect of 74% of the complaints for 10 months of the year under review. The authority had not maintained a data base for the two months of January and February of the year under review.
- (g) During the year under review, the Authority had conducted 15,923 raids and compared to the raids conducted in the previous year it down fall by 34%. Further, an amount of Rs. 39,094,340 had been earned as penalties in the year 2019 and in the year under review it was Rs. 21,826,267 which is a down fall by 44%.
- (h) An agreement had been signed with SICPA Security Solutions Switzerland with the objective of making convenient for the consumers to identify goods with right standard and this was subject to arbitration with the International Board of Commerce in 2018 as the said agreement was not implemented. On the advice of the Board of Directors, approval was granted to settle expenses amounting Rs. 55 Million which was spent on from the fund of the Authority to judiciary affairs. Even though terms on the costs to be borne have been specified in section 49(3) of the Consumer Affairs Act No. 09 of 2003, approval has been granted in the year under review to reimburse an amount of Rs. 55 million surpassing the terms therein given and as per the said approval the Authority had borne an expense of Rs. 22,162,690 on the said arbitration from July to December 2020.

Comments of the Chairman on the Financial Statements of the Consumer Affairs Authority as at 31st of December 2020 as per the section 12 of the National Audit Act No. 19 of 2018.

1. Financial Statements

I focused on the qualified opinion of the Auditor General on the Financial Statements of the Consumer Affairs Authority for the year 2020 and the management's responsibility for financial statements and the Auditor's responsibility for auditing.

1.2 The mistake in reporting the notes to the financial statements will be rectified and presented in future.

2. Report on the other legal and regulatory requirements

I have studied the auditor's observations on other legal and regulatory requirements as well and will take necessary action to rectify inefficiencies, if any.

2.2.2 (a), (b) and (c)

Copies of these reports have been presented to the Audit Office on 11.05.2020.

(d) The Consumer Affairs Authority had prepared a three year plan from 2020 to 2022 and due to the prevailing epidemic, studied the activities planned for 2021 and planned and implemented the activities for the year 2021. Accordingly, an action plan only for the year 2021 was implemented.

2.2.3

(a) Arrangements have been made to formulate a suitable system for this in the future and to take necessary steps to publish the names and addresses of the persons who committed the offenses.

(b) Even though the sample tests carried out had adverse results , except the goods published in the Gazette as per the section 12 making the standardization mandatory, in the Act provisions are unavailable for stock piling and prohibiting goods. In such cases, the discretion of the court will be effective.

3. **Other matters**

- (a) The Legal Draftsmen had examined the amendments to the Act and referred them to the Attorney General and then referred them to the Consumer Affairs Authority. Subsequently, it was then decided that additional amendments should be included in the Consumer Affairs Authority Act. Accordingly, arrangements have been made to submit the amendments to the Leal Draftsman.
- (b) Of the 136 vacancies that existed at the end of 2020, 82 vacancies for investigation officers. However, 207 investigation officers have been recruited in 2018 without justifying the staff requirement according to FR 71 of 2018 and there is no need to recruit more investigation officers as there are enough investigating officers in the district offices.
- In addition, vacancies have been advertised to recruit for 10 posts by the year 2020, out of which 06 posts have been recruited. However, the interviews had to be postponed due to travel restrictions and quarantine curfew in the country.
- It has been scheduled to hold an initial investigation as per a Board Decision on recruitment of 04 Senior Investigation Officers on 01st October 2019.
- (c) Although no raids have been carried out on the fees charged for laboratory tests as published in the Gazette by the date of auditing, the Authority is conducting inquiries on this matter and many laboratories have charged fees for such tests at controlled prices. A raid has been carried out on a laboratory that charged more than the controlled price and judiciary action will be taken once the country will be on track and court proceedings will be started. I will take measures to inform all the district offices to pay more attention to the fees charged for laboratory tests.
- (d) These cheques are the cheques which have been returned to the relevant court for extension of the validity period as their validity period has already expired when they reach the authority. Due to the Covid pandemic in the country last year (2020), the post offices were closed and those areas were isolated and restrictions on calling employees to the offices. Cheques had to be sent back to court for extension of their validity period.
- (e) Of the 1556 complaints registered at the Legal Division during the period from 2015 to 2020, 524 had been resolved by 31.12.2020 and 166 complaints had been dismissed. Investigations on 410 complaints had not been completed and 456 complaints were scheduled to be called. Of the 456 complaints to be called, 175 were referred for investigation in 2018. Of the 80 complaints lodged during the year under review, only 04 were resolved and 74 had not been called .

(f) Since the officers did not report to work regularly due to Covid 19 pandemic, I was unable to successfully process the complaints received through the hot line 1977. From March 2020, the database has been upgraded enabling to forward relevant complaints to all District Offices and to feed action taken by the District Offices to the same database. Accordingly, public complaints received through the 1977 hot line are being examined at present.

Data of January and February months of 2020 had not been included to the data base as at the date of audit. It has already been updated now.

(g) I admit that the number of raids in 2020 was low compared to the year 2019. Despite a total number of 26,004 raids were planned for the year 2020, the actual number of raids for the relevant year was limited to 15,923 due to the inability to carry out field duties properly due to the rise of the Covid pandemic from March 2020.

Accordingly, the value of penalty income for the year 2020 was lower than the penalty income for the year 2019. However, when raids are usually filed in the Magistrates' Courts, the fines for such cases are determined by the Magistrate of the relevant court. Hence, determining fines for raids is a matter outside the Consumer Affairs Authority.

(h) As per the Cabinet Decision, the Board of Directors of the Authority decided to bear the expenses required for the international arbitration proceedings from the funds of the Authority having considered the recommendations given by the Ministry of Finance and accordingly the amount of Rs. 22,162,690 was borne in this regard.



Major General Shantha Dissanayake (Rtd.)

Chairman